

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON

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FOLLOWING REPEATS LONDON 07340 ACTION SECSTATE INFO MEXICO 12 MAY 76

QUOTE LIMITED OFFICIAL USE LONDON 07340

DEPARTMENT PLEASE PASS TO IRS

E.O. 11652: N/A

TAGS: PFOR, US, UK, CJ

SUBJECT: IRS REPRESENTATION IN CAYMAN ISLANDS

REF: LONDON 6422

1. POLITICAL COUNSELOR CALLED ON HARRY STANLEY, FCO ASSISTANT UNDER SECRETARY, TO DISCUSS FUTURE VISITS TO CAYMAN ISLANDS BY IRS REPRESENTATIVE GEORGE BARNARD. COUNSELOR STRESSED THE URGENCY WE ATTACH TO A NUMBER OF INVESTIGATIONS NOW UNDERWAY AND THE IMPORTANCE WE ATTACH TO BARNARD'S CONTINUED ACCESS TO PUBLIC RECORDS AND VOLUNTARY INTERVIEWS IN THE CAYMANS.

2. STANLEY RESPONDED THAT THE FOREIGN OFFICE HAS HAD THE BENEFIT OF DIRECT CONSULTATIONS OVER THE LAST SEVERAL

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DAYS WITH THE GOVERNOR OF THE CAYMANS WHO IS PRESENTLY

IN LONDON. HE WENT ON TO SAY THAT HMG HAS NO OBJECTIONS TO BARNARD CONTINUING HIS ACTIVITIES IN THE CAYMANS SO LONG AS THOSE ACTIVITIES (PARTICULARLY IN EXCHANGES WITH BANK MANAGERS) DO NOT LEAD TO A CONFLICT WITH CAYMAN LAW. STANLEY SAID THAT HMG IS ANXIOUS TO COOPERATE WITH IRS ACTIVITIES, BELIEVING THAT IT IS IN THE LONG-TERM BRITISH INTEREST THAT THE CAYMANS NOT DEVELOP A REPUTATION FOR ILLEGALITY OR CRIMINALITY. BY WAY OF EXPLANATION, STANLEY SAID THE DIFFICULTIES BEGAN WITH A "MIAMA HERALD" ARTICLE A YEAR AGO CLAIMING THE IRS IS ENGAGED IN UNDERCOVER ACTIVITIES IN THE BAHAMAS AND CAYMANS. WHILE HMG PUTS NO STOCK IN THE STORY, THE ARTICLE UNDERSTANDABLY DISTURBED READERS IN OFFICIAL AND BANKING CIRCLES IN THE CAYMANS. COUNSELOR REITERATED THAT BARNARD'S ACTIVITIES ARE DESIGNED TO BE ENTIRELY ABOVE BOARD AND IN KEEPING WITH CAYMAN LAW.

3. STANLEY SUGGESTED THAT, AS BARNARD PURSUES HIS ACTIVITIES IN THE CAYMANS, HE KEEP IN CLOSE TOUCH WITH GOVERNMENT OFFICIALS THERE THROUGH FREQUENT CALLS AND MEETINGS. SUCH CONTACT WOULD HELP ALLAY SUSPICIONS OF COVERT OPERATIONS. STANLEY ALSO SUGGESTED THAT, IF THE IRS FORESES A LONG-TERM INTEREST IN THE CAYMANS, THE USG MIGHT WISH TO PUT THE RELATIONSHIP ON A MORE FORMAL FOOTING, E.Q., ACCREDITING TO THE CAYMAN GOVERNMENT AN AMERICAN CONSULAR OFFICER WHO WOULD BE ABLE TO CALL FREQUENTLY IN CAYMANS AND THEREBY GIVE IRS INTERESTS THERE A MORE OFFICIAL TONE. COUNSELOR THANKED STANLEY FOR THE COOPERATIVE BRITISH ATTITUDE AND ASSURED HIM THAT HIS SUGGESTIONS WOULD BE PASSED ON TO THE STATE DEPARTMENT, THE IRS, AND MR. BARNARD. ARMSTRONG UNQUOTE ROBINSON

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